

Prepare Sooner for the New Overtime Rules or You'll Regret it Later by Sara Cravens, The Arnold Group

For the first time in over a decade, the rules of overtime compensation have been overhauled. The changes will come into effect December 1, 2016, which is guaranteed to come more quickly than you think. The standard benchmark salary level is increasing to \$913/week (\$47,476 annually), more than double the current threshold of \$455/week (\$23,660 annually). This means many salaried employees will now be classified as non-exempt, meaning they must be paid overtime for any hours worked over 40 each week.

In addition to upping the standard salary level, employers may use discretionary bonuses and incentive payments to satisfy up to 10% of salaries, provided the payments are made on a quarterly basis. To prevent the salary and compensation regulations from becoming outdated (again), mechanisms have been established to ensure updates every three years, beginning January 2020. If you don't plan for the impact of these changes on your organization sooner, you'll regret it later.

The new overtime rules will affect most organizations but small businesses and non-profits will likely be affected the most. Because of the enormous impact the new regulations will likely have, understanding the requirement changes and knowing what to expect is critical to the overall success of these organizations. Employers have options on how to best deal with these changes, and no one option will be right for everyone. The most common options are to:

1. Retain employees in their current salaried roles and up their weekly wage to \$913, keeping them exempt from the overtime requirement.
2. Convert salaried employees to a non-exempt status and track their work on an hourly basis, paying overtime wages of time and a half.
3. Implement changes on who is employed and how work is accomplished. This could mean changing job duties and descriptions, splitting jobs among multiple employees, and/or laying off some workers in order to keep others.

Being up front and transparent about the coming changes is your best bet to keeping your employees happy and engaged. Impacted employees will likely have questions and concerns as they deal with the potential changes to their roles and compensation and it is your job to plan for and address them as best you can. There are pros and cons to each option that will appeal differently to different organizations, meaning no one solution will work for everyone.